



Office of Inspector General Semiannual Fact Sheet

Spring 2015

The Office of Inspector General plays a key role in maintaining the integrity and accountability of the nation's Postal Service, its revenue and assets, and its employees through our audit and investigative work.

The U.S. Postal Service's mission – to bind the nation together and enable commerce – has remained essentially the same despite major changes in the way we communicate and share information. Some have argued that these rapid changes make the Postal Service's role as a reliable, secure, and trusted delivery provider more important than ever.

Likewise, the U.S. Postal Service Office of Inspector General's (OIG) commitment to integrity, accountability, and transparency remains steady even as the tools we use to achieve our goals

continually evolve. Collaboration, data analytics, and modeling have enhanced our work, helping us to focus on high-risk, high-value work. We are now able to proactively pursue risks and work cases

faster. We are collaborating with the Postal Service to model data across program areas for more timely, relevant, and actionable products.

The OIG's goal is to deliver the best possible value to stakeholders through independent audits, investigations, and research. This fact sheet provides a snapshot of key findings from our Spring 2015 Semiannual Report to Congress.

Sunday Parcel Delivery Needs Efficiency Improvements

Under an October 2013 Postal Service negotiated service agreement with Fulfillment Inc., carriers deliver parcels on Sundays to customers using the Dynamic Routing Tool (DRT). As of April 2014, more than 2.7 million parcels had been delivered to customers on a Sunday from 22 districts in the Pacific, Eastern, Southern, Great Lakes, and Northeast areas. We found operational inefficiencies during Sunday parcel deliveries in scanning, sorting, vehicle loading, and using the DRT at 40 of the 134 hubs we visited in four districts. These inefficiencies occurred primarily because management did not enforce policies and procedures and because supervision was inconsistent. The Postal Service spent 17,446 more workhours than necessary delivering parcels on Sundays during June 15 through July 13, 2014, and could save \$356,736 annually for 134 hubs by improving efficiency.

We recommended managers in the Ohio Valley, Northern New Jersey, San Diego, and Dallas districts be directed to eliminate inefficient operational practices, reduce workhours, and ensure employees adhere to postal policies during Sunday parcel delivery. Management disagreed with the monetary impact.

100% Prefunding of Liabilities Could Damage the Postal Service

This white paper evaluated assumptions used to estimate Postal Service future liabilities. Retiree healthcare and pension liabilities are estimated at \$403.8 billion. Cash set aside for these liabilities, totaling \$335.6 billion, exceeds 83 percent of the future payouts for retiree healthcare and pensions. In addition, the Postal Service's workers' compensation liability is estimated at \$18.4 billion. Based on these assumptions, retiree healthcare, pensions, and workers' compensation were unfunded by

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To view or receive the entire Semiannual Report to Congress, go to www.uspsoig.gov or call 888-877-7644.





The Office of Audit

The mission of the OIG Office of Audit is to conduct and supervise objective and independent audits and reviews of Postal Service programs and operations to:

- Prevent and detect fraud, waste, and misconduct;
- Promote economy, efficiency, and effectiveness;
- Promote program integrity, and;
- Keep the Board of Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.

During this period, the OIG issued 74 audit reports and management advisories that resulted in about \$1.6 billion in monetary impact.

Highlighted Statistics

For the period October 1, 2014 — March 31, 2015

AUDITS

Reports issued	74
Significant recommendations issued	71
Total reports with financial impact	10
Funds put to better use	\$1,391,068,588
Questioned costs	\$7,509,879
Revenue Impact	\$183,025,252
TOTAL	\$1,581,603,719

Risk Analysis Research Center

OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service. These white papers are presented to Postal Service management for consideration and contain no recommendations.

The Risk Analysis Research Center (RARC) wrote two papers about the Universal Service Obligation (USO): *Guiding Principles for a New Universal Service Obligation* and *What Postal Services Do People Value the Most? A Quantitative Survey of the Postal Universal Service Obligation*.

The USO ensures the Postal Service provides a minimum level of service to all areas of the country. However, there is no explicit definition of

USO; it is generally assumed to be a collection of various laws and regulations. Moreover, the rise in digital communication and the declining need for hardcopy mail raise the question of what services the Postal Service should be obligated to provide.

In the first paper, we provide a framework to assist policymakers in debating and developing a new definition of the USO suitable to the modern era. For instance, an updated USO should be flexible enough to enable adaptation to changing market conditions over multiple years. It should also define the minimum level of service that will meet postal stakeholders' needs. And it must be financially sustainable while reasonably priced.

Our second paper reports the findings of a quantitative study focused on people's thoughts about four attributes of the USO: mode of delivery, access to postal services, frequency of delivery, and price.

The survey provided respondents with a choice of trade-offs between levels of service and price. The survey results can be used to produce quantitative measures of the relative value that consumers and businesses put on various aspects of the USO. These findings can help policymakers form a comprehensive view of trade-offs involved when discussing what level of services the USO should include to meet the needs of American businesses and citizens.

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about \$86.6 billion as of September 30, 2014. We found mandating 100 percent prefunding of frequently changing and highly uncertain liabilities presents a risk of unnecessarily damaging the Postal Service, inflating prices, and overfunding future liabilities. We concluded that any discussion of unfunded liabilities should take into consideration real estate that could be used to satisfy the liabilities. Additionally, increases in the historically low interest rates, requiring participation in Medicare for retirees, and using Postal Service-specific demographic assumptions for these liabilities would significantly reduce the unfunded liability balance.

Time Standard-Based Compensation Could Encourage Carrier Efficiency

City and rural carriers represent about 48 percent of the 491,000 career postal employees and account for the Postal Service's largest personnel expense. Compensation for city and rural carriers is very different and the cost per delivery is significantly higher for city carriers than for rural carriers. The Postal Service implemented a number of tools to track and manage city carrier operations; however, it remains challenging to supervise city carriers. The Postal Service continues to experience excessive supervisory, overtime, and grievance costs associated with city carriers. For example, supervisory costs were twice as much for city carriers as for rural carriers in FY 2013. There is also little incentive for city carriers to be more productive and finish their routes faster because they are paid hourly. At the same time, there is an increasing need for carrier efficiency because of the growing number of packages and the adjustments of delivery routes.

We recommended Postal Service management develop a city carrier compensation system based on time standards for specific tasks completed by carriers. Management disagreed with the finding, recommendation, and monetary impact. Management disagreed with the supervisory costs estimate, stating that not all supervisory costs are attributed to management of city delivery routes. Management also disagreed with other aspects of the report, including the calculation of compensation costs, overtime, and grievance costs. We found management's comments to be non-responsive to the recommendation in the report.

The Office of Investigations

The OIG also fulfills its traditional role of rooting out fraud, waste, and misconduct to protect the Postal Service's bottom line and maintain confidence in the mail. The OIG's dedication to integrity, accountability, and transparency means that no person in the organization is above the law or exempt from the ethical standards set by the Postal Service. In this period, the OIG's Office of Investigations completed 1,955 investigations that led to 370 arrests and more than \$1.3 billion in fines, restitutions, and recoveries, of which \$10 million went to the Postal Service.

Highlighted Statistics

For the period October 1, 2014 — March 31, 2015

INVESTIGATIONS ¹

Investigations Completed	1,955
Arrests	370
Indictments/Informations	288
Convictions/pretrial diversions ²	400
Administrative actions	1,349
Cost Avoidance	\$188,496,707
Fines, Restitution, and Recoveries	\$1,382,550,014
Amount to the Postal Service ³	\$10,717,020

¹ Statistics include joint investigations with other law enforcement agencies.

² Convictions reported in this period may be related to arrests in prior reporting periods.

³ Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

Medical Provider Fraud

After approximately two hours of deliberation in January 2015, a federal court jury in Puerto Rico found a psychiatrist guilty on three counts of making false statements regarding workers' compensation claims. An OIG investigation revealed the psychiatrist committed fraud by issuing false medical reports so that claimants, some of whom were Postal Service employees, could receive workers' compensation benefits. In return, the claimants paid the psychiatrist. After a detention hearing in February 2015, the psychiatrist was remanded to the Metropolitan Detention Center in Puerto Rico until his sentencing, which was scheduled for May 2015. The case was part of Operation Hurting for Dollars, a multi-agency operation led by the Postal Service OIG in Puerto Rico targeting healthcare fraud by Postal Service employees and the healthcare providers treating them.

Contract Fraud

FBI and OIG investigators jointly determined that two station managers in Baltimore, MD, received kickbacks from three Postal Service contractors who provided landscaping and cleaning services. Station managers have authority to contract for landscaping, snow removal, and cleaning services at their respective post offices, and they can bill those services to the Postal Service. The joint investigation revealed that from 2007 through 2013, the station managers created, approved, and paid invoices for maintenance work that was never performed. The payments were then split with the contractors. Both managers admitted to submitting false and inflated invoices for bribe payments. In August 2014, one station manager pled guilty to bribery and was sentenced to 20 months in prison, 6 months of home detention, 3 years of probation, and ordered to pay approximately \$43,000 in restitution. The next month, the second former station manager pled guilty to bribery, and in March 2015 was sentenced to 40 months in prison, 3 years of probation, and ordered to pay approximately \$501,700 in restitution to the Postal Service.

When you notice something's wrong... do what's right.

Report Mail Fraud and Theft to the Office of Inspector General



**We need your help.
Report postal crimes or misconduct.
Contact: 888-877-7644 www.uspsoig.gov**



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Mission Statement

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- Promote economy, efficiency, and effectiveness;
- Promote program integrity; and
- Keep the Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.

► Let us hear from you!




The OIG sponsors a blog and audit projects forum to collect feedback and ideas from our stakeholders and the general public. We encourage you to share your ideas, concerns, and comments at:




- Pushing the Envelope Blog:
www.uspsoig.gov/blog
- Audit Project Pages:
www.uspsoig.gov/audit-asks

Summary of Performance




For the period October 1, 2014 — March 31, 2015

Audit

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OIG Hotline Contacts

Telephone calls 46,099 	E-Mail 22,343 	Facsimile - FAX 266 
Voice Mail Messages 647 	Standard Mail 771 	National Law Enforcement Communications Center 278 



To report fraud, waste, or misconduct involving postal employees or contractors contact us:
888-877-7644 or www.uspsoig.gov